



PATTILLO, BROWN & HILL, L.L.P.
CERTIFIED PUBLIC ACCOUNTANTS ■ BUSINESS CONSULTANTS

To the Honorable Mayor and
Members of the City Council
City of Windcrest, Texas

In planning and performing our audit of the financial statements of the City of Windcrest, Texas, as of and for the year ended September 30, 2015, in accordance with auditing standards generally accepted in the United States of America, we considered the City's internal control over financial reporting as a basis for designing our auditing procedures for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the City's internal control. Accordingly, we do not express an opinion on the effectiveness of the City's internal control.

Our consideration of internal control over financial reporting was for the limited purpose described in the preceding paragraph and would not necessarily identify all deficiencies in internal control over financial reporting that might be significant deficiencies or material weaknesses. However, in connection with our audit, we have identified certain matters involving the City's internal control over financial reporting that we consider to be control deficiencies under standards established by the American Institute of Certified Public Accountants.

This report is intended solely for the information and use of management, the City Council, and others within the organization and is not intended to be, and should not be, used by anyone other than these specified parties.

Pattillo, Brown & Hill, L.L.P.

Waco, Texas
June 24, 2016

WACO, TX
401 West Highway 6
Waco, Texas 76710
254.772.4901
www.pbhcpa.com

HOUSTON, TX
281.671.6259
RIO GRANDE VALLEY, TX
956.544.7778

TEMPLE, TX
254.791.3460
ALBUQUERQUE, NM
505.266.5904


Governmental Audit
Quality Center

CITY OF WINDCREST, TEXAS

COMMENTS AND SUGGESTIONS

FOR THE YEAR ENDED SEPTEMBER 30, 2015

YEAR-END CLOSING

Financial reports are intended to meet the needs of decision makers. Accordingly, the Governmental Accounting Standards Board (GASB) has identified *timeliness* as one of the basic characteristics necessary for accounting data to be effective. To accomplish this objective, financial reports must be available in time to inform decision making. Therefore, financial reports should be published as soon as possible after the end of the reporting period.

Timely financial reporting cannot be reduced to a well-managed closing process, but rather requires year-long planning, analysis and monitoring. The City should undertake a process at least quarterly to ensure the completeness and accuracy of its financial information. This process should include appropriate reconciliations to identify needed adjustments and facilitate the recording of certain items throughout the year rather than after the fiscal year has ended. We believe that this will reduce the number of closing entries made at year-end and result in a more efficient closing process.

* * * * *

We appreciate this opportunity to be of service to the **City of Windcrest, Texas**. Should you have any questions or require further information, please do not hesitate to call.



PATILLO, BROWN & HILL, L.L.P.
CERTIFIED PUBLIC ACCOUNTANTS ■ BUSINESS CONSULTANTS

**INDEPENDENT AUDITORS' REPORT ON INTERNAL CONTROL OVER FINANCIAL
REPORTING AND ON COMPLIANCE AND OTHER MATTERS BASED ON AN AUDIT OF
FINANCIAL STATEMENTS PERFORMED IN ACCORDANCE WITH
GOVERNMENT AUDITING STANDARDS**

To the Honorable Mayor and
Members of the City Council
City of Windcrest, Texas

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the governmental activities, the business-type activities, the aggregate discretely presented component units, each major fund, and the aggregate remaining fund information of the City of Windcrest, Texas, as of and for the year ended September 30, 2015, and the related notes to the financial statements, which collectively comprise the City's basic financial statements, and have issued our report thereon dated June 24, 2016.

Internal Control over Financial Reporting

In planning and performing our audit of the financial statements, we considered the City's internal control over financial reporting (internal control) to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the City's internal control. Accordingly, we do not express an opinion on the effectiveness of the City's internal control.

A *deficiency in internal control* exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, misstatements on a timely basis. A *material weakness* is a deficiency, or a combination of deficiencies, in internal control, such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected on a timely basis. A *significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

WACO, TX
401 West Highway 6
Waco, Texas 76710
254.772.4901
www.pbhpa.com

HOUSTON, TX
281.671.6259
RIO GRANDE VALLEY, TX
956.544.7778

TEMPLE, TX
254.791.3460
ALBUQUERQUE, NM
505.266.5904


Governmental Audit
Quality Center

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or, significant deficiencies. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the City's financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

Purpose of this Report

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the entity's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the entity's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

Pattillo, Brown & Hill, L.L.P.

Waco, Texas
June 24, 2016



PATTILLO, BROWN & HILL, L.L.P.
CERTIFIED PUBLIC ACCOUNTANTS ■ BUSINESS CONSULTANTS

To the Honorable Mayor and
Members of the City Council
City of Windcrest, Texas

We have audited the financial statements of the City of Windcrest, Texas (the City), as of and for the year ended September 30, 2015, and have issued our report thereon dated June 24, 2016. Professional standards require that we advise you of the following matters relating to our audit.

Our Responsibility in Relation to the Financial Statement Audit

As communicated in our engagement letter dated August 18, 2015, our responsibility, as described by professional standards, is to form and express opinions about whether the financial statements that have been prepared by management with your oversight are presented fairly, in all material respects, in accordance with accounting principles generally accepted in the United States of America. Our audit of the financial statements does not relieve you or management of your respective responsibilities.

Our responsibility, as prescribed by professional standards, is to plan and perform our audit to obtain reasonable, rather than absolute, assurance about whether the financial statements are free of material misstatement. An audit of financial statements includes consideration of internal control over financial reporting as a basis for designing audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control over financial reporting. Accordingly, as part of our audit, we considered the internal control of the City solely for the purpose of determining our audit procedures and not to provide any assurance concerning such internal control.

We are also responsible for communicating significant matters related to the audit that are, in our professional judgment, relevant to your responsibilities in overseeing the financial reporting process. However, we are not required to design procedures for the purpose of identifying other matters to communicate to you.

Planned Scope of the Audit

We conducted our audit consistent with the planned scope we previously communicated to you.

WACO, TX
401 West Highway 6
Waco, Texas 76710
254.772.1901
www.pbhcpa.com

HOUSTON, TX
281.671.6259

RIO GRANDE VALLEY, TX
956.544.7778

TEMPLE, TX
254.791.3460

ALBUQUERQUE, NM
505.266.5904

AICPA®
Governmental Audit
Quality Center

Compliance with All Ethics Requirements Regarding Independence

The engagement team, others in our firm, and, as appropriate, our firm have complied with all relevant ethical requirements regarding independence.

As a part of the engagement we assisted in preparing the financial statements and related notes to the financial statements of the City in conformity with U.S. generally accepted accounting principles. These nonaudit services do not constitute an audit under *Government Auditing Standards* and such services were not conducted in accordance with *Government Auditing Services*.

In order to ensure we maintain our independence for performing these nonaudit services certain safeguards were applied to this engagement. Management assumed responsibility for the financial statements and related notes to the financial statements and any other nonaudit services we provided. Management acknowledged in the management representation letter our assistance with the preparation of the financial statements and related notes to the financial statements and that these items were reviewed and approved prior to their issuance and accepted responsibility for them. Further, the nonaudit services were oversaw by an individual within management that has the suitable skill, knowledge, or experience; evaluated the adequacy and results of the services; and accepted responsibility for them.

Qualitative Aspects of the Entity's Significant Accounting Practices

Significant Accounting Policies

Management has the responsibility to select and use appropriate accounting policies. A summary of the significant accounting policies adopted by the City is included in Note I to the financial statements. As described in Note I to the financial statements, during the year, the City changed its method of accounting for pension liabilities by adopting Governmental Accounting Standards Board (GASB) Statement No. 68, *Accounting and Financial Reporting for Pensions—an amendment of GASB Statement No. 27* and Governmental Accounting Standards Board (GASB) Statement No. 71, *Pension Transition for Contributions Made Subsequent to the Measurement Date—an amendment of GASB Statement No. 68*. Accordingly, the cumulative effect of the accounting change as of the beginning of the year has been reported in the Statement of Activities. No matters have come to our attention that would require us, under professional standards, to inform you about (1) the methods used to account for significant unusual transactions and (2) the effect of significant accounting policies in controversial or emerging areas for which there is a lack of authoritative guidance or consensus.

Significant Accounting Estimates

Accounting estimates are an integral part of the financial statements prepared by management and are based on management's current judgments. Those judgments are normally based on knowledge and experience about past and current events and assumptions about future events. Certain accounting estimates are particularly sensitive because of their significance to the financial statements and because of the possibility that future events affecting them may differ markedly from management's current judgments.

The most sensitive accounting estimates affecting the financial statements are:

Management's estimate of the useful lives of capital assets is based on the expected lifespan of the asset in accordance with standard guidelines. We evaluated the key factors and assumptions used to develop the estimate of useful lives in determining that it is reasonable in relation to the financial statements taken as a whole and in relation to the applicable opinion units.

Management's estimate of the allowance for uncollectible accounts receivable is based on historical collections. We evaluated the key factors and assumptions used to develop the allowance in determining that it is reasonable in relation to the financial statements taken as a whole and in relation to the applicable opinion units.

Management's estimate of the net pension liability is based on actuarial assumptions which are determined by the demographics of the plan and future projections that the actuary makes based on historical information of the plan and the investment market. We evaluated the key factors and assumptions used to develop the net pension liability and determined that it is reasonable in relation to the basic financial statements taken as a whole and in relation to the applicable opinion units.

Financial Statement Disclosures

Certain financial statement disclosures involve significant judgment and are particularly sensitive because of their significance to financial statement users. The most sensitive disclosures affecting the City's financial statements relate to the net pension liability. The disclosures in the financial statements are neutral, consistent, and clear.

Significant Difficulties Encountered during the Audit

We encountered no significant difficulties in dealing with management relating to the performance of the audit. However, the completion of the audit was delayed to delays in receiving certain items that were requested during the course of the audit.

Uncorrected and Corrected Misstatements

For purposes of this communication, professional standards require us to accumulate all known and likely misstatements identified during the audit, other than those that we believe are trivial, and communicate them to the appropriate level of management. Further, professional standards require us to also communicate the effect of uncorrected misstatements related to prior periods on the relevant classes of transactions, account balances or disclosures, and the financial statements as a whole and each applicable opinion unit. Management has corrected all identified misstatements.

In addition, professional standards require us to communicate to you all material, corrected misstatements that were brought to the attention of management as a result of our audit procedures. Management has corrected all such identified misstatements.

Disagreements with Management

For purposes of this letter, professional standards define a disagreement with management as a matter, whether or not resolved to our satisfaction, concerning a financial accounting, reporting, or auditing matter, which could be significant to the City's financial statements or the auditor's report. No such disagreements arose during the course of the audit.

Representations Requested from Management

We have requested certain written representations from management, which are included in the management representation letter dated June 24, 2016.

Management's Consultations with Other Accountants

In some cases, management may decide to consult with other accountants about auditing and accounting matters. Management informed us that, and to our knowledge, there were no consultations with other accountants regarding auditing and accounting matters.

Other Significant Matters, Findings, or Issues

In the normal course of our professional association with the City, we generally discuss a variety of matters, including the application of accounting principles and auditing standards, operating and regulatory conditions affecting the entity, and operational plans and strategies that may affect the risks of material misstatement. None of the matters discussed resulted in a condition to our retention as the City's auditors.

This report is intended solely for the information and use of the City Council and management of the City of Windcrest, Texas, and is not intended to be and should not be used by anyone other than these specified parties.

Pattille, Brown & Hill, LLP

Waco, Texas
June 24, 2016

**CITY OF
WINDCREST, TEXAS**

**ANNUAL FINANCIAL REPORT
FOR THE FISCAL YEAR ENDED
SEPTEMBER 30, 2015**

Prepared by:

The Finance Department



PATTILLO, BROWN & HILL, L.L.P.
CERTIFIED PUBLIC ACCOUNTANTS ■ BUSINESS CONSULTANTS

**CITY OF
WINDCREST, TEXAS**

ANNUAL FINANCIAL REPORT

**FOR THE FISCAL YEAR ENDED
SEPTEMBER 30, 2015**

Prepared by:

The Finance Department

CITY OF WINDCREST, TEXAS

ANNUAL FINANCIAL REPORT

FOR THE FISCAL YEAR ENDED SEPTEMBER 30, 2015

TABLE OF CONTENTS

	<u>Page Number</u>
INTRODUCTORY SECTION	
City Officials.....	1
FINANCIAL SECTION	
Independent Auditors' Report.....	2 – 5
Management's Discussion and Analysis	6 – 15
Basic Financial Statements	
<u>Government-wide Financial Statements</u>	
Statement of Net Position.....	16 – 17
Statement of Activities	18 – 19
<u>Fund Financial Statements</u>	
Balance Sheet – Governmental Funds	20 – 21
Reconciliation of the Balance Sheet of Governmental Funds to the Statement of Net Position.....	22
Statement of Revenues, Expenditures, and Changes in Fund Balances – Governmental Funds.....	23 – 24
Reconciliation of the Statement of Revenues, Expenditures, and Changes in Fund Balances of Governmental Funds to the Statement of Activities	25
Statement of Net Position – Proprietary Fund	26
Statement of Revenues, Expenses, and Changes in Net Position – Proprietary Fund	27

INTRODUCTORY SECTION

CITY OF WINDCREST

CITY OFFICIALS

SEPTEMBER 30, 2015

Mayor

Alan Baxter

Mayor Pro-Tem

Pam Dodson

City Council

**Gerd E. Jacobi
Jim Shelton
Kimberly Wright
Matt Vandenberg**

City Manager

Rafael Castillo

Attorney

Michael Brennan

FINANCIAL SECTION



PATILLO, BROWN & HILL, L.L.P.
CERTIFIED PUBLIC ACCOUNTANTS ■ BUSINESS CONSULTANTS

INDEPENDENT AUDITORS' REPORT

To the Honorable Mayor and
Members of the City Council
City of Windcrest, Texas

Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities, the business-type activities, the discretely presented component units, each major fund, and the aggregate remaining fund information of the City of Windcrest, Texas, as of and for the year ended September 30, 2015, and the related notes to the financial statements, which collectively comprise the City of Windcrest, Texas' basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditors' Responsibility

Our responsibility is to express opinions on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis, budgetary comparison information, schedule of changes in net pension liability and related ratios and schedule of contributions, and schedule of funding progress on pages 6 – 15 and 50 – 52 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Other Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the City of Windcrest, Texas' basic financial statements. The introductory section and combining nonmajor fund financial statements are presented for purposes of additional analysis and are not a required part of the basic financial statements.

The combining nonmajor fund financial statements are the responsibility of management and were derived from and relate directly to the underlying accounting and other records used to prepare the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the combining nonmajor fund financial statements are fairly stated in all material respects in relation to the basic financial statements as a whole.

The introductory section has not been subjected to the auditing procedures applied in the audit of the basic financial statements and, accordingly, we do not express an opinion or provide any assurance on it.

MANAGEMENT'S DISCUSSION AND ANALYSIS

Management's Discussion and Analysis

This section of the City of Windcrest's (the City) annual financial report presents management's discussion and analysis of the City's financial performance during the fiscal year ended September 30, 2015. Please read it in conjunction with the City's financial statements, which follows this section.

FINANCIAL HIGHLIGHTS

City

- The City's total combined net position was \$13,403,989 at September 30, 2015.
- During the year, the City's change in net position was an increase of \$83,789 for governmental activities and a decrease of \$136,547 for business-type activities.
- The City's general fund reported a year-end fund balance of \$2,014,814 .

City of Windcrest Economic Development Corporation (Corporation) – Discretely Presented Component Unit

- The Corporation was created in 1998 exclusively for the purpose of promoting economic development in the City. The Corporation generated sales tax revenue in the amount of \$476,705 during the current year.
- The Corporation's net position was (\$441,670) at September 30, 2015.
- The Corporation reported total revenues of \$477,553 and expenses of \$299,039 during the year, thereby increasing its net position by \$178,514 .

City of Windcrest Crime Control and Prevention District (District) – Discretely Presented Component Unit

- The District was created from a ¼ cent sales tax adopted in 2004 for the purpose of crime control and prevention activities. The District generated sales tax revenue in the amount of \$669,291 in the current year.
- The District's net position was \$612,227 at September 30, 2015. Of this amount, \$350,727 is restricted for the purpose of crime control and prevention activities and the remaining amount of \$261,500 is invested in capital assets.
- The District reported total revenues of \$674,899 and expenses of \$597,519 during the year, net position increased by \$76,345 .

Figure A-1. Major Features of the City's Government-wide and Fund Financial Statements

<i>Types of Statements</i>	Government-wide	Fund Statements	
		Governmental Funds	Proprietary Funds
<i>Scope</i>	Entire City's government and the City's component units	The activities of the City that are not proprietary in nature.	Activities the City operates similar to private businesses: garbage fund
<i>Required financial statements</i>	* Statement of Net Position	* Balance Sheet	* Statement of Net Position
	*Statement of Activities	* Statement of Revenues, Expenditures and Changes in Fund Balances	* Statement of Revenues, Expenses and Changes in Net Position
			* Statement of Cash Flows
<i>Accounting basis and measurement focus</i>	Accrual accounting and economic resources focus	Modified accrual accounting and current financial resources focus	Accrual accounting and economic resources focus
<i>Type of asset/liability information</i>	All assets and liabilities, both financial and capital, short-term and long-term	Only assets expected to be used up and liabilities that come due during the year or soon thereafter; no capital assets or long-term debt included	All assets and liabilities, both financial and capital, short-term and long-term
<i>Type of inflow/ outflow information</i>	All revenues and expenses during the year, regardless of when cash is received or paid	Revenues for which cash is received during or soon after the end of the year; expenditures when goods or services have been received and payment is due during the year or soon thereafter	All revenues and expenses during the year, regardless of when cash is received or paid

Government-wide Statements

The government-wide statements report information about the City as a whole using accounting methods similar to those used by private-sector companies.

The *Statement of Net Position* presents the City's assets, deferred outflows, liabilities and deferred inflows including capital assets and long term liabilities. This statement reports the difference between the City's assets, deferred outflows, liabilities, and deferred inflows as net position, which

fund Statement of Revenues, Expenditures, and changes in Fund Balance for the General, Debt Service, and Capital Projects funds, all of which are considered to be major funds. Data from the other funds are combined into a single, aggregated presentation labeled "Nonmajor Governmental Funds". Individual fund data for each of these non-major governmental funds is provided in the form of combining statements included as other supplementary information. The City adopts an appropriated budget for all governmental funds. A budgetary comparison statement has been provided for the General Fund to demonstrate compliance with the budget.

Proprietary funds — The City maintains one type of proprietary fund: An *enterprise fund*, which is used to report the Garbage Utility function presented in business-type activities in the government-wide financial statements. Information is presented separately in the proprietary fund Statement of Net Position and in the proprietary fund Statement of Revenues, Expenses, and Changes in Net Position for the Garbage Utility Fund, which is considered to be a major fund.

Notes to the financial statements — the notes provide additional information that is essential to a full understanding of the data provided in the government-wide and fund financial statements.

Required Supplementary Information — in addition to the basic financial statements and accompanying notes, this report also presents certain required supplementary information concerning the City's General Fund budgetary comparison, schedule of changes in net pension liability and related ratios, and schedule of contributions.

Supplementary Information — the combining statements referred to earlier as the City's nonmajor governmental funds are presented immediately following the required supplementary information.

GOVERNMENT-WIDE FINANCIAL ANALYSIS

See table A-1. The total assets of the City exceeded its total liabilities at the close of the most recent fiscal year by \$13,403,989 (net position). Of this amount, \$2,287,221 (17%) (unrestricted net position) may be used to meet the ongoing obligations to citizens and creditors.

The largest portion of the City's net position, \$10,958,359 (82%) is its investment in capital assets (e.g. land, building, improvements other than buildings, furniture and equipment) less any related debt used to acquire those assets that is still outstanding. Although the City's investment in its capital assets is reported net of related debt, the resources needed to repay this debt must be provided from other sources, since the capital assets themselves cannot be used to liquidate these liabilities. An additional portion of the City's net assets \$158,409 (1%) represents resources that are subject to external restrictions on how they may be used.

See Table A-2. During the year ended September 30, 2015, the City's total net position decreased by \$66,306 . Total revenues were \$7,300,561 and expenses were \$7,353,319 . A significant portion (73%) of the City's revenues came from taxes, 25% came from grants and charges for services, while the remaining amount came from investment earnings and other miscellaneous revenues.

The following table indicates changes in net position for the governmental and business-type activities for the City as of September 30, 2015, compared to 2014.

Table A-2
Changes in City of Windcrest's Net Position
As of September 30, 2015
(With comparative totals as of September 30, 2014)

	Governmental Activities		Business-Type Activities		Total	
	2015	2014	2015	2014	2015	2014
REVENUES						
Program Revenues:						
Charges for services	\$ 932,247	\$ 960,742	\$ 794,974	\$ 762,412	\$ 1,727,221	\$ 1,723,154
Operating grants and contributions	131,393	16,206	-	-	131,393	16,206
Capital grants and contributions	-	3,467,280	-	-	-	3,467,280
General Revenues:						
Property taxes	1,663,170	1,873,694	-	-	1,663,170	1,873,694
Other taxes	3,686,309	3,429,248	-	-	3,686,309	3,429,248
Investment earnings	1,928	578	2	8	1,930	586
Other	90,538	162,729	-	-	90,538	162,729
TOTAL REVENUES	6,505,585	9,910,477	794,976	762,420	7,300,561	10,672,897
EXPENSES						
General government	2,446,960	2,233,730	-	-	2,446,960	2,233,730
Public safety	2,930,406	1,571,961	-	-	2,930,406	1,571,961
Public works	989,595	1,628,513	-	-	989,595	1,628,513
Animal control	133,379	109,766	-	-	133,379	109,766
Economic development	-	-	-	-	-	-
Special services	-	-	-	-	-	-
EMS/Tech support	-	-	-	-	-	-
Interest on long-term debt	505	9,593	-	-	505	9,593
Garbage	-	-	852,474	813,066	852,474	813,066
TOTAL EXPENSES	6,500,845	5,553,563	852,474	813,066	7,353,319	6,366,629
Changes in net assets	4,740	4,356,914	(57,498)	(50,646)	(52,758)	4,306,268
Transfers In (Out)	79,049	105,400	(79,049)	(105,400)	-	-
Increase (decrease) in net position	83,789	4,462,314	(136,547)	(156,046)	(52,758)	4,306,268
Net position - beginning	13,454,755	9,272,030	15,540	171,586	13,470,295	9,443,616
Prior period adjustment (Note II. K.)	(13,548)	(279,589)	-	-	(13,548)	(279,589)
Net position - ending	\$ 13,524,996	\$ 13,454,755	\$ (121,007)	\$ 15,540	\$ 13,403,989	\$ 13,470,295

Final actual expenditures were \$273,372 less than final budgeted expenditures.

CAPITAL ASSETS AND DEBT ADMINISTRATION

Capital Assets

At the end of 2015, the City had invested \$10,958,359 in a broad range of capital assets, including land, equipment, buildings, vehicles and street improvements, net of accumulated depreciation. (See Table A-4). This amount represents a net decrease (including additions, deductions, and depreciation) of \$210,250 over last year.

More detailed information about the City's capital assets is presented in the Note II. D. to the financial statements.

Table A-4
City's Capital Assets

	Governmental Activities	
	2015	2014
Land	\$ 267,050	\$ 267,050
Construction in progress	-	1,451,430
Buildings and improvements	2,376,690	2,376,690
Improvements other than bldgs.	11,702,211	9,918,771
Furniture and equipment	4,335,630	4,204,045
Total	<u>18,681,581</u>	<u>18,217,986</u>
Total accum. depreciation	<u>(7,723,222)</u>	<u>(7,049,377)</u>
Net capital assets	<u>\$ 10,958,359</u>	<u>\$ 11,168,609</u>

Long Term Debt

At year end, the City had no outstanding bonds or capital leases. More detailed information about the City's debt is presented in Note II. F. to the financial statements.

ECONOMIC FACTORS AND NEXT YEAR'S BUDGETS AND RATES

The following economic factors were considered in developing the 2015-2016 budget:

- 2015-2016 General Fund budgeted revenues available for appropriation are \$8,936,231.
- 2015-2016 General Fund budgeted expenditures are \$9,556,377.
- The ad valorem tax rate (property tax rate) for fiscal year 2015-16 is budgeted at \$.3409 of taxable assessed valuation. It is expected that this budget will raise more revenue from property taxes than last year's budget by an amount of \$208,300, which is an 18% increase.

BASIC FINANCIAL STATEMENTS

Component Units	
Economic Development Corporation	Crime Control and Prevention District
\$ 189,196	\$ 355,475
116,918	117,127
-	-
-	-
-	-
-	-
60,780	-
-	-
19,364	340,959
(80,144)	(79,459)
-	261,500
306,114	734,102
-	14,850
-	14,850
16,351	79,047
-	-
32,040	-
145,000	37,000
118,717	1,597
435,676	18,962
747,784	136,606
-	119
-	119
-	261,500
-	-
-	-
-	350,727
(441,670)	-
\$(441,670)	\$ 612,227

**Net (Expense) Revenue and
Changes in Net Position
Primary Government**

<u>Governmental Activities</u>	<u>Business-type Activities</u>	<u>Total</u>
\$ (2,154,163)	\$ -	\$ (2,154,163)
(2,159,563)	-	(2,159,563)
(989,595)	-	(989,595)
(133,379)	-	(133,379)
(505)	-	(505)
<u>(5,437,205)</u>	<u>-</u>	<u>(5,437,205)</u>
<u>-</u>	<u>(57,500)</u>	<u>(57,500)</u>
<u>-</u>	<u>(57,500)</u>	<u>(57,500)</u>
<u>(5,437,205)</u>	<u>(57,500)</u>	<u>(5,494,705)</u>
1,662,716	-	1,662,716
454	-	454
2,835,665	-	2,835,665
154,351	-	154,351
670,189	-	670,189
26,104	-	26,104
1,928	2	1,930
90,538	-	90,538
<u>79,049</u>	<u>(79,049)</u>	<u>-</u>
<u>5,520,994</u>	<u>(79,047)</u>	<u>5,441,947</u>
83,789	(136,547)	(52,758)
13,454,755	15,540	13,470,295
<u>(13,548)</u>	<u>-</u>	<u>(13,548)</u>
<u>\$ 13,524,996</u>	<u>\$ (121,007)</u>	<u>\$ 13,403,989</u>

Component Units

<u>Economic Development Corporation</u>	<u>Crime Control and Prevention District</u>
(299,039)	-
<u>-</u>	<u>(597,519)</u>
<u>\$ (299,039)</u>	<u>\$ (597,519)</u>
-	-
-	-
476,705	669,291
-	-
-	-
-	-
271	30
577	5,578
<u>-</u>	<u>-</u>
<u>477,553</u>	<u>674,899</u>
178,514	77,380
(620,184)	535,882
<u>-</u>	<u>(1,035)</u>
<u>\$ (441,670)</u>	<u>\$ 612,227</u>

<u>Capital Projects</u>	<u>Nonmajor Governmental Funds</u>	<u>Total Governmental Funds</u>
\$ 516,962	\$ 222,015	\$ 2,163,096
-	-	244,340
116,828	-	760,650
-	-	182,000
-	-	531,840
<u>633,790</u>	<u>222,015</u>	<u>3,881,926</u>
20,797	5,314	367,527
-	-	144,797
338,000	63,575	401,575
32,040	-	303,399
<u>390,837</u>	<u>68,889</u>	<u>1,217,298</u>
-	-	41,887
-	-	211,408
<u>-</u>	<u>-</u>	<u>253,295</u>
242,953	153,126	396,079
-	-	2,015,254
<u>242,953</u>	<u>153,126</u>	<u>2,411,333</u>
\$ <u>633,790</u>	\$ <u>222,015</u>	\$ <u>3,881,926</u>

CITY OF WINDCREST, TEXAS
RECONCILIATION OF THE BALANCE SHEET OF GOVERNMENTAL FUNDS
TO THE STATEMENT OF NET POSITION
FOR THE YEAR ENDED SEPTEMBER 30, 2015

Total fund balances - governmental funds balance sheet	\$ 2,411,333
Amounts reported for governmental activities in the statement of net position are different because:	
Capital assets (net of accumulated depreciation) used in governmental funds are not financial resources and, therefore, are not reported in the funds.	10,958,359
Long-term liabilities (net pension liability, compensated absences and bonds), are not due and payable in the current period and, therefore, are not reported in the funds.	(290,721)
Deferred outflows of resources and deferred inflows of resources related to pensions are not reported in the funds.	192,730
Other long-term assets are not available to pay for current period expenditures and, therefore, are reported as unavailable revenue in the funds.	<u>253,295</u>
Net position of governmental activities - statement of net position	<u>\$ 13,524,996</u>

The accompanying notes are an integral part of these financial statements.

<u>Capital Projects</u>	<u>Nonmajor Governmental Funds</u>	<u>Total Governmental Funds</u>
\$ -	\$ -	\$ 1,641,397
476,704	-	2,835,665
-	-	676,210
-	154,351	154,351
-	-	26,104
-	36,089	613,088
-	-	192,081
-	10,194	125,528
-	-	100,716
-	1,231	1,231
4	16	1,928
-	-	90,538
<u>476,708</u>	<u>201,881</u>	<u>6,458,837</u>
-	2,099	2,166,700
-	14,265	2,479,742
-	-	873,104
-	-	118,342
-	-	12,338
-	-	505
<u>360,776</u>	<u>679</u>	<u>668,108</u>
<u>360,776</u>	<u>17,043</u>	<u>6,318,839</u>
115,932	184,838	139,998
113,940	-	335,439
-	(142,450)	(256,390)
<u>113,940</u>	<u>(142,450)</u>	<u>79,049</u>
229,872	42,388	219,047
<u>13,081</u>	<u>110,738</u>	<u>2,192,286</u>
\$ <u>242,953</u>	\$ <u>153,126</u>	\$ <u>2,411,333</u>

CITY OF WINDCREST, TEXAS

RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES OF GOVERNMENTAL FUNDS TO THE STATEMENT OF ACTIVITIES

FOR THE YEAR ENDED SEPTEMBER 30, 2015

Net change in fund balances - total governmental funds	\$	219,047
--	----	---------

Amounts reported for governmental activities in the statement of activities are different because:

Governmental funds report all capital outlays as expenditures. However, in the statement of activities, the cost of those assets is allocated over their estimated useful lives and reported as depreciation expense. This reconciling item represents the amount by which depreciation exceeded capital outlays in the current period.	(210,250)
---	---	----------

The issuance of long-term debt (e.g., bonds, notes payable) provides current financial resources to governmental funds, while the repayment of the principal of long-term debt consumes the current financial resources of governmental funds. Neither transaction, however, has any effect on net position. Also, governmental funds report the effect of premiums, discounts, and similar items when debt is first issued, whereas these amounts are deferred and amortized in the statement of activities. This reconciling item represents the net effect of these differences in the treatment of long-term debt and related items.		12,338
--	--	--------

Certain pension expenditures are not expended in the government-wide financial statements. This item relates to contributions made after the measurement date. Additionally, a portion of the City's unrecognized deferred resource outflows and inflows related to the pension liability were amortized.		28,121
---	--	--------

Some expenses reported in the statement of activities do not require the use of current financial resources and, therefore, are not reported as expenditures in governmental funds. This reconciling item reflects the net of such expenses.	(12,215)
--	---	---------

Some revenues in the statement of activities do not provide current financial resources and are not included in the governmental funds.		<u>46,748</u>
---	--	---------------

Change in net position of governmental activities - statement of activities	\$	<u>83,789</u>
---	----	---------------

The accompanying notes are an integral part of these financial statements.

CITY OF WINDCREST, TEXAS

**STATEMENT OF NET POSITION
PROPRIETARY FUND**

FOR THE YEAR ENED SEPTEMBER 30, 2015

	<u>Business-Type Activities</u>
	<u>Garbage Utility</u>
ASSETS	
Current assets:	
Accounts receivable (net of allowance for uncollectibles)	\$ <u>93,876</u>
Total assets	<u>93,876</u>
LIABILITIES	
Current liabilities:	
Accounts payable	70,277
Due to general fund	130,265
Due to other governments	<u>14,341</u>
Total liabilities	<u>214,883</u>
NET POSITION	
Unrestricted	(<u>121,007</u>)
Total net position	<u>\$(121,007)</u>

The accompanying notes are an integral part of these financial statements.

CITY OF WINDCREST, TEXAS

STATEMENT OF REVENUES, EXPENSES AND CHANGES IN NET POSITION - PROPRIETARY FUND

FOR THE YEAR ENDED SEPTEMBER 30, 2015

	Business-Type Activities
	Garbage Utility
OPERATING REVENUES:	
Commercial customer charges	\$ 378,732
Residential customer charges	382,245
Other	<u>33,997</u>
Total operating revenues	<u>794,974</u>
OPERATING EXPENSES:	
Contracted services - commercial sanitation	362,813
Contracted services - residential sanitation	468,341
Other	<u>21,320</u>
Total operating expenses	<u>852,474</u>
Operating income (loss)	(<u>57,500</u>)
NONOPERATING REVENUES (EXPENSES):	
Investment earnings	<u>2</u>
Total nonoperating revenues (expenses)	<u>2</u>
Income before transfers	(57,498)
Transfers out	(<u>79,049</u>)
Change in net position	(136,547)
Total net position - beginning	<u>15,540</u>
Total net position - ending	\$(<u>121,007</u>)

The accompanying notes are an integral part of these financial statements.

CITY OF WINDCREST, TEXAS

STATEMENT OF CASH FLOWS PROPRIETARY FUND

FOR THE YEAR ENDED SEPTEMBER 30, 2015

	<u>Business-Type Activities</u>
	<u>Garbage Utility</u>
Cash flows from operating activities:	
Cash received from customers	\$ 787,589
Cash payments to suppliers	(850,324)
Net cash provided (used) by operating activities	(62,735)
Cash flows from non-capital financing activities:	
Transfers from other funds	71,165
Payments to other governments	9,298
Transfers to other funds	(79,049)
Net cash provided (used) by non-capital financing activities	1,414
Cash flows from investing activities:	
Interest on investments	2
Net increase (decrease) in cash and cash equivalents	(61,319)
Cash and cash equivalents at beginning of year	61,319
Cash and cash equivalents at end of year	-
Reconciliation of operating income (loss) to net cash provided (used) by operating activities:	
Operating income (loss)	(57,500)
Adjustments to reconcile operating income (loss) to net cash provided (used) by operating activities:	
Decrease (increase) in receivables	(7,385)
Increase (decrease) in accounts payable	2,150
Net cash provided (used) by operating activities	\$(62,735)

The accompanying notes are an integral part of these financial statements.

CITY OF WINDCREST, TEXAS

NOTES TO THE FINANCIAL STATEMENTS

SEPTEMBER 30, 2015

I. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The accounting and reporting policies of the City of Windcrest, Texas (the City) relating to the funds included in the accompanying basic financial statements conform to accounting principles generally accepted in the United States of America ("GAAP") applicable to state and local governments. Generally accepted accounting principles for local governments include those principles prescribed by the Governmental Accounting Standards Board ("GASB"), the American Institute of Certified Public Accounts in the publication entitled State and Local Governments-Audit and Accounting Guide and by the Financial Accounting Standards Board when applicable. The more significant accounting policies of the City are described below:

A. DESCRIPTION OF GOVERNMENT-WIDE FINANCIAL STATEMENTS

The government-wide financial statements (i.e., the statement of net position and the statement of activities) report information on all of the nonfiduciary activities of the primary government and its component units. *Governmental activities*, which normally are supported by taxes, intergovernmental revenues and other nonexchange transactions, are reported separately from *business-type activities*, which rely to a significant extent on fees and charges to external customers for support. Likewise, the *primary government* is reported separately from certain legally separate *component units* for which the primary government is financially accountable.

B. REPORTING ENTITY

The City is governed by an elected mayor and five-member governing council. The accompanying financial statements present the City and its component units, entities for which the City is considered to be financially accountable. Blended component units are, in substance, part of the primary government's operations, even though they are legally separate entities. Thus, blended component units are appropriately presented as funds of the primary government. The City has no blended component units. Each discretely presented component unit is reported in a separate column in the government-wide financial statements to emphasize that it is legally separate from the City.

Discretely Presented Component Units

The Windcrest Economic Development Corporation (the Corporation) was created pursuant to state law on September 25, 1998, to act on behalf of the City for the promotion, development and enhancement of economic development within the City. The Corporation is governed by seven members who are appointed by and serve at the pleasure of the City Council.

The Corporation is fiscally dependent on the City because it receives predominantly all of its revenue from the City's sales taxes. Separate financial statements for the Corporation can be obtained by contacting the Corporation located at 8601 Midcrown Drive, Windcrest, Texas 76522.

During the course of operations, the City has activity between funds for various purposes. Any residual balances outstanding at year-end are reported as due from/to other funds. While these balances are reported in fund financial statements, certain eliminations are made in the preparation of government-wide financial statements. Balances between the funds included in governmental activities are eliminated so that only the net amount is included as internal balances in the governmental activities column.

Further, certain activity occurs during the year involving transfers of resources between funds. In fund financial statements these amounts are reported at gross amounts as transfers in/out. While reported in fund financial statements, certain eliminations are made in the preparation of the government-wide financial statements. Transfers between the funds included in governmental activities are eliminated so that only the net amount is included as transfers in the governmental activities column.

E. MEASUREMENT FOCUS AND BASIS OF ACCOUNTING

The accounting and financial reporting treatment is determined by the applicable measurement focus and basis of accounting. Measurement focus indicates the type of resources being measured such as *current financial resources* or *economic resources*. The basis of accounting indicates the timing of transactions or events for recognition in the financial statements.

The government-wide financial statements are reported using the *economic resources measurement focus* and the *accrual basis of accounting*. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. Property taxes are recognized as revenues in the year for which they are levied. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider have been met.

The governmental fund financial statements are reported using the *current financial resources measurement focus* and the *modified accrual basis of accounting*. Revenues are recognized as soon as they are both measurable and available. Revenues are considered to be available when they are collectible within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose the City considers revenues to be available if they are collected within 60 days of the end of the current fiscal period. Expenditures generally are recorded as soon as a liability is incurred, as under accrual accounting. However, debt service expenditures, as well as expenditures related to compensated absences, and claims and judgments, are recorded only when payment is due. General capital asset acquisitions are reported as expenditures in governmental funds. Issuance of long-term debt and acquisitions under capital leases are reported as other financing sources.

Property taxes, sales taxes, franchise taxes, licenses and interest associated with the current fiscal period are all considered to be susceptible to accrual and so have been recognized as revenues of the current fiscal period. Expenditure-driven grants are recognized as revenue when the qualifying expenditures have been incurred and all other eligibility requirements have been met, and the amount is received during the period or within the availability period for this revenue source (within 60 days of year-end). All other revenue items are considered to be measurable and available only when cash is received by the City.

Tax collections are prorated between the general fund and debt service fund based on the tax rate approved by the City Council. For the year ended September 30, 2015, the general and debt service fund rates were \$0.3409 and \$0.00, respectively, for a total of \$0.3409 per \$100 of assessed valuation.

Allowances for uncollectible tax receivables are based on historical collections.

4. Prepaid Items

Certain payments to vendors reflect costs applicable to future accounting periods and are recorded as prepaid items in both the government-wide and the fund financial statements. The cost of prepaid items is recorded as expenditures/expenses when consumed rather than when purchased.

5. Capital Assets

Capital assets, which include property, plant, equipment and infrastructure assets (e.g. roads, bridges, sidewalks and similar items), are reported in the applicable governmental or business-type activities column in the government-wide financial statements. Capital assets are defined as assets with an initial, individual cost of \$2,500 or more and an estimated useful life of three (3) years or more. Such assets are recorded at historical cost as purchased or constructed. Donated capital assets are recorded at estimated fair market value at the date of donation.

The cost of normal maintenance and repairs that do not add value to the asset or materially extend asset lives are not capitalized. When assets are retired or otherwise disposed of, the related costs or other recorded amounts are removed.

Infrastructure assets acquired prior to October 1, 2003, are not reported in the financial statements.

Land and construction in progress are not depreciated. The other property, plant, equipment and infrastructure are depreciated using the straight-line method over the following estimated useful lives:

Assets	Years
Building improvements	5 - 50
Improvements other than buildings	20 - 50
Vehicles	3 - 10
Furniture and equipment	3 - 10

8. Compensated Absences

The City permits full-time employees to accumulate earned but unused vacation pay benefits up to certain limits. Upon resignation, the employee may receive pay for any unused accrued vacation provided the employee gives two weeks written notice of the resignation and is not subject to discharge for misconduct. Liabilities for compensated absences are recognized in the fund financial statements to the extent the liabilities have matured (i.e. are due for payment) and recognized as a long term liability in the government-wide financial statements. The general fund generally liquidates the liability when it matures.

Unused sick leave may be accumulated to certain limits; however, in the event of termination, reimbursement to the employee is not made for accumulated sick leave; therefore, a liability does not exist at September 30, 2015.

9. Long-term Obligations

In the government-wide financial statements, and proprietary funds in the fund financial statements long-term debt and other long-term obligations are reported as liabilities in the applicable governmental activities statement of net position. Bond premiums and discounts are deferred and amortized over the life of the bonds using the straight-line method. Bonds payable are reported net of the applicable bond premium or discount. Bond issuance costs are expensed in the year they are incurred.

In the fund financial statements, governmental fund types recognize bond premiums and discounts during the current period. The face amount of debt issued is reported as other financing sources. Premiums received on debt issuances are reported as other financing sources while discounts on debt issuances are reported as other financing uses.

10. Net Position Flow Assumption

Sometimes the City will fund outlays for a particular purpose from both restricted (e.g., restricted bond or grant proceeds) and unrestricted resources. In order to calculate the amounts to report as restricted – net position and unrestricted – net position in the government-wide and proprietary fund financial statements, a flow assumption must be made about the order in which the resources are considered to be applied.

It is the City's policy to consider restricted - net position to have been depleted before unrestricted – net position is applied.

11. Fund Balance Flow Assumptions

Sometimes the City will fund outlays for a particular purpose from both restricted and unrestricted resources (the total of committed, assigned and unassigned fund balance). In order to calculate the amounts to report as restricted, committed, assigned and unassigned fund balance in the fund financial statements a flow assumption must be made about the order in which the resources are considered to be applied. It is the City's policy to consider restricted fund balance to have been depleted before using any of the components of unrestricted fund balance. Further, when the components of unrestricted fund balance can be used for the same purpose, committed fund balance is depleted first, followed by assigned fund balance. Unassigned fund balance is applied last.

II. DETAILED NOTES

A. CASH AND CASH EQUIVALENTS

At September 30, 2015, cash and cash equivalents are comprised of the following:

	General Fund	Debt Service Fund	Capital Projects	Nonmajor Governmental Funds	Discretely Presented Component Units	Total
Demand deposits	\$ 1,067,751	\$ 440	\$ 498,402	\$ 218,069	\$ 437,401	\$ 2,222,063
Certificates of deposit	230,390	-	-	-	-	230,390
Cash on hand	6,018	-	-	-	-	6,018
Investment pool	119,520	-	18,560	3,946	107,270	249,296
Total	<u>\$ 1,423,679</u>	<u>\$ 440</u>	<u>\$ 516,962</u>	<u>\$ 222,015</u>	<u>\$ 544,671</u>	<u>\$ 2,707,767</u>

The City's cash deposits at September 30, 2015 and during the year then ended were entirely covered by FDIC insurance or pledged collateral held in the name of the City by the Federal Reserve Bank.

Interest Rate Risk. As a means of limiting its exposure to fair value losses arising from rising interest rates, the City's investment policy limits the weighted average maturities of investment pools to less than 12 months. At September 30, 2015, the weighted average maturity of the TexPool investment was 41 days and Lonestar was 33 days.

Credit Risk. In accordance with the City's investment policy, investments in investment pools must be rated at least AAA, AAAM, or its equivalent. At September 30, 2015, the TexPool and Lonestar investment rating is AAAM.

B. RECEIVABLES

Receivables at September 30, 2015 were as follows:

	General Fund	Debt Service Fund	Capital Projects Fund	Garbage Utility Fund	Discretely Presented Component Units	Total
Receivables:						
Taxes	\$ 644,394	\$ 5,463	\$ 116,828	\$ -	\$ 234,045	\$ 1,000,730
Fines	2,114,083	-	-	-	-	2,114,083
Utilities	-	-	-	175,467	-	175,467
Miscellaneous	32,932	-	-	-	-	32,932
Component unit	182,000	-	-	-	-	182,000
Gross receivables	<u>2,973,409</u>	<u>5,463</u>	<u>116,828</u>	<u>175,467</u>	<u>234,045</u>	<u>3,505,212</u>
Less: allowance for uncollectible	<u>(1,908,090)</u>	<u>(620)</u>	<u>-</u>	<u>(81,591)</u>	<u>-</u>	<u>(1,990,301)</u>
Net total receivables	<u>\$ 1,065,319</u>	<u>\$ 4,843</u>	<u>\$ 116,828</u>	<u>\$ 93,876</u>	<u>\$ 234,045</u>	<u>\$ 1,514,911</u>

Depreciation expense was charged to functions/programs of the primary government as follows:

General government	\$	277,873
Public safety		322,594
Public works		114,900
Animal control		15,578
Total Depreciation Expense	\$	<u>730,945</u>

Discretely Presented Component Units

Capital asset activity for the year ended September 30, 2015, was as follows:

	October 1, 2014	Additions	Deletions	September 30, 2015
Discretely Presented Component Units:				
Capital Assets, Being Depreciated:				
Buildings and improvements	\$ 60,780	\$ -	\$ -	\$ 60,780
Furniture and equipment	<u>360,323</u>	<u>-</u>	<u>-</u>	<u>360,323</u>
Total Capital Assets, Being Depreciated	<u>421,103</u>	<u>-</u>	<u>-</u>	<u>421,103</u>
Less Accumulated Depreciation for:				
Buildings and improvements	(57,631)	(3,149)	-	(60,780)
Furniture and equipment	<u>(69,794)</u>	<u>(29,029)</u>	<u>-</u>	<u>(98,823)</u>
Total Accumulated Depreciation	<u>(127,425)</u>	<u>(32,178)</u>	<u>-</u>	<u>(159,603)</u>
Total Capital Assets, Being Depreciated, Net	<u>293,678</u>	<u>(32,178)</u>	<u>-</u>	<u>261,500</u>
Discretely Presented Component Units Capital Assets, Net	\$ <u>293,678</u>	\$ <u>(32,178)</u>	\$ <u>-</u>	\$ <u>261,500</u>

Depreciation expense was charged to functions/programs of the discretely presented component units as follows:

Public safety	\$	29,028
Economic development		<u>3,150</u>
Total Depreciation Expense	\$	<u>32,178</u>

A summary of changes in the loan payable for the year ended September 30, 2015 follows:

Balance -- October 1, 2014	\$ 671,099
Retired	(116,706)
Balance -- September 30, 2015	<u>554,393</u>
Due Within One Year	\$ <u>118,717</u>

Annual debt service requirements to maturity for the loan payable follows:

Year Ending September 30,	Principal	Interest	Total Requirements
2016	\$ 118,717	\$ 16,244	\$ 134,961
2017	122,633	12,328	134,961
2018	126,678	8,282	134,960
2019	130,857	4,103	134,960
2020	55,508	415	55,923
Total	<u>\$ 554,393</u>	<u>\$ 41,372</u>	<u>\$ 595,765</u>

Compensated Absences and TMRS Net Pension Liability

	Balance October 1, 2014	Issued / Additions	Retired / Payments	Balance September 30, 2015	Due Within One Year
Governmental Activities:					
Compensated Absences	\$ 100,349	\$ 367,004	\$(354,789)	\$ 112,564	\$ 25,8
TMRS Net Pension Liability	<u>13,548</u>	<u>192,730</u>	<u>(28,121)</u>	<u>178,157</u>	<u>-</u>
Total Governmental Activities	<u>\$ 113,897</u>	<u>\$ 559,734</u>	<u>\$(382,910)</u>	<u>\$ 290,721</u>	<u>\$ 25,8</u>
Discretely Presented Component Units:					
Compensated Absences	\$ 6,724	\$ 34,775	\$(34,556)	\$ 6,943	\$ 1,5
TMRS Net Pension Liability	<u>1,035</u>	<u>14,731</u>	<u>(2,150)</u>	<u>13,616</u>	<u>-</u>
Total Discretely Presented Component Units	<u>\$ 7,759</u>	<u>\$ 49,506</u>	<u>\$(36,706)</u>	<u>\$ 20,559</u>	<u>\$ 1,5</u>

Employees covered by benefit terms

At December 31, 2014 valuation and measurement date, the following employees were covered by the benefit terms:

Inactive employees or beneficiaries currently receiving benefits	36
Inactive employees entitled to but not yet receiving benefits	57
Active employees	<u>59</u>
	<u>152</u>

Contributions

The contribution rates for employees in TMRS are either 5%, 6%, or 7% of employee gross earnings, and the city matching percentages are with 100%, 150%, or 200%, both as adopted by the governing body of the city. Under the state law governing TMRS, the contributions rate for each city is determined annually by the actuary, using the Entry Age Normal (EAN) actuarial cost method. The actuarially determined rate is the estimated amount necessary to finance the cost of benefits earned by employees during the year, with an additional amount to finance any unfunded accrued liability.

Employees for the City of Windcrest were required to contribute 6% of their annual gross earnings during the fiscal year. The contribution rates for the City of Windcrest were 6.5% and 7.24% in calendar years 2014 and 2015, respectively. The city's contributions to TMRS for the year ended September 30, 2015, were \$183,726, and were equal to the required contributions.

Net Pension Liability

The city's Net Pension Liability (NPL) was measured as of December 31, 2014, and the Total Pension Liability (TPL) used to calculate the Net Pension Liability was determined by an actuarial valuation as of that date.

Actuarial assumptions:

The Total Pension Liability in the December 31, 2015 actuarial valuation was determined using the following actuarial assumptions:

Inflation	3.0% per year
Overall payroll growth	3.0% per year
Investment Rate of Return	7.0%, net of pension plan investment expense, including inflation

Discount Rate

The discount rate used to measure the Total Pension Liability was 7.0%. The projection of cash flows used to determine the discount rate assumed that employee and employer contributions will be made at the rates specified in statute. Based on that assumption, the pension plan's Fiduciary Net Position was projected to be available to make all projected future benefit payments of current active and inactive employees. Therefore, the long-term expected rate of return on pension plan investments was applied to all period of projected benefit payments to determine the Total Pension Liability.

Changes in the Net Pension Liability

	Increase (Decrease)		
	Total Pension Liability (a)	Plan Fiduciary Net Position (b)	Net Pension Liability (a) - (b)
Balance at 12/31/2013	\$ 7,031,387	\$ 6,897,036	\$ 134,351
Changes for the year:			
Service cost	275,134	-	275,134
Interest	494,716	-	494,716
Difference between expected and actual experience	(2,409)	-	(2,409)
Contributions - employer	-	164,263	(164,263)
Contributions - employee	-	155,633	(155,633)
Net investment income	(203,164)	394,581	(597,745)
Benefit payments, including refunds of employee contributions	-	(203,164)	203,164
Administrative expense	-	(4,119)	4,119
Other changes	-	(339)	339
Net changes	<u>564,277</u>	<u>506,855</u>	<u>57,422</u>
Balance at 12/31/2014	<u>\$ 7,595,664</u>	<u>\$ 7,403,891</u>	<u>\$ 191,773</u>

The following presents the net pension liability of the City, calculated using the discount rate of 7.0%, as well as what the City's net pension liability would be if it were calculated using a discount rate that is 1-percentage-point lower (6.0%) of 1-percentage-higher (8.0%) than the current rate:

	1% Decrease in Discount Rate (6.0%)	Discount Rate (7.0%)	1% Increase in Discount Rate (8.0%)
City's net pension liability	\$ 1,387,317	\$ 191,773	\$ (772,815)

Subsequent event:

Pursuant to TMRS policy of conducting experience studies every four years, the TMRS Board at their July 31, 2015 meeting determined that they would be changing certain actuarial assumptions including reducing the long term expected rate of return from the current 7% to 6.75% and changing the inflation assumption from 3% to 2.5%. Reduction of expected investment return and related discount rate will increase projected pension liabilities. Reducing the inflation assumption reduces liabilities as future annuity levels and future cost of living adjustments are not projected to be as large as originally projected. While the actual impact on the City's valuation for December 31, 2015 is not known the City does expect some downward pressure on its funded status and upward pressure on its 2017 actuarially determined contribution (ADC) due to this change.

H. OTHER POST-EMPLOYMENT BENEFITS

Group-term Life Insurance

The City also participates in the cost sharing multiple-employer defined benefit group-term life insurance plan operating by TMRS known as the Supplemental Death Benefits Fund ("SDBF"). The City elected, by ordinance, to provide group-term life insurance coverage to both current and retired employees. The City may terminate coverage and discontinue participation in the SDBF by adopting an ordinance before November 1 of any year to be effective the following January 1.

The death benefit for active employees provide a lump-sum payment approximately equal to the employee's annual salary (calculated based on the employee's actual earnings, for the 12-month period preceding the month of death); retired employees are insured for \$7,500; this coverage is an "other post-employment benefit" or OPEB.

The City contributes to the SDBF at a contractually required rate as determined by an annual actuarial valuation. The rate is equal to the cost of providing one-year term life insurance. The funding policy for the SDBF program is to assure that adequate resources are available to meet all death benefit payments for the upcoming year; the intent is not to pre-fund retiree life insurance during the employees' entire careers.

The City's contribution to the TMRS SDBF for the years September 30, 2015, 2014, and 2013 were \$4,481, \$4,640, and \$3,925, respectively, which equaled the required contributions for each year. Therefore, the City does not have an OPEB liability at September 30, 2015.

K. PRIOR PERIOD ADJUSTMENT

The GASB has issued Statement No. 68, “*Accounting and Financial Reporting for Pensions—an amendment of GASB Statement No. 27*,” which became effective for fiscal year 2015. This statement changes the focus of pension accounting for employers from whether they are responsibly funding their plan over time to a point-in-time liability that is reflected in the employer’s financial statements for any actuarially unfunded portion of pension benefits earned to date.

The implementation of Statement No. 68 resulted restatement of beginning net position for the recording of the beginning net pension liability and the beginning deferred outflow for contributions made after the measurement date. Prospectively applying these changes results in decreased beginning net position as of October 1, 2014, as follows.

	Government-wide Statement of Activities	
	Primary Government	Component Units
		Discretely
	Governmental Activities	Presented Component Units
Net position at September 30, 2014, as previously reported	\$ 13,454,755	\$(84,302)
Recording of net pension liability as of September 30, 2014	(124,812)	(9,539)
Deferral for pension contributions made after the measurement date	<u>111,264</u>	<u>8,504</u>
Net position at September 30, 2014, as restated	<u>\$ 13,441,207</u>	<u>\$(85,337)</u>

REQUIRED SUPPLEMENTARY INFORMATION

CITY OF WINDCREST, TEXAS

REQUIRED SUPPLEMENTARY INFORMATION TEXAS MUNICIPAL RETIREMENT SYSTEM

SCHEDULE OF CHANGES IN NET PENSION LIABILITY AND RELATED RATIOS

FOR THE YEAR ENDED SEPTEMBER 30, 2015

Plan Year	<u>2014</u>
A. Total pension liability	
Service Cost	\$ 275,134
Interest (on the Total Pension Liability)	494,716
Difference between expected and actual experience	(2,409)
Benefit payments, including refunds of employee contributions	(203,164)
Net change in total pension liability	564,277
Total pension liability - beginning	<u>7,031,387</u>
Total pension liability - ending (a)	<u>\$ 7,595,664</u>
B. Plan fiduciary net position	
Contributions - Employer	\$ 164,263
Contributions - Employee	155,633
Net Investment Income	394,581
Benefit payments, including refunds of employee contributions	(203,164)
Administrative Expenses	(4,119)
Other	<u>(339)</u>
Net change in plan fiduciary net position	506,855
Plan fiduciary net position - beginning	<u>6,897,036</u>
Plan fiduciary net position - ending (b)	<u>\$ 7,403,891</u>
C. Net pension liability - ending (a) - (b)	<u>\$ 191,773</u>
D. Plan fiduciary net position as a percentage of total pension liability	97.48%
E. Covered employee payroll	\$ 2,593,878
F. Net position liability as a percentage of covered employee payroll	7.39%

COMBINING FUND STATEMENTS

CITY OF WINDCREST, TEXAS

SPECIAL REVENUE FUNDS DESCRIPTIONS

Special Revenue Funds are used to account for specific revenues where expenditures are legally restricted for particular purposes. Funds included in the Special Revenue Funds category that are non-major are described below.

School Crossing Guard Fund – used to account for revenues restricted by the State to provide for school crossing guards and maintenance of school zones.

Assets Seizure and Forfeitures (Federal) Fund – used to account for revenues provided by police seizures restricted by the Federal government to provide crime prevention and detection.

Assets Seizure and Forfeitures (State) Fund – used to account for revenues provided by police seizures restricted by the State government to provide crime prevention and detection.

County Fire Contributions Fund – used to account for funds provided by Bexar County to offset expenditures incurred in providing fire protection outside the City limits.

Police Donations Fund – used to account for donations provided for police protection within the City.

Police Education and Training Fund – used to account for L.E.O.S.E. funds received from the State to be used for police education and training.

Roosevelt Scholarships Fund – used to account for donations from the Windfest Family Fund Day to provide for a scholarship to be awarded to a graduating Roosevelt High School senior.

Court Technology Fund – used to account for fees assessed for the purpose of improving technology.

Building Security Fund – used to account for fees assessed for providing security to City facilities.

Hotel/Motel Tax Fund – used to account for hotel occupancy taxes.

Friends to Animal Control Fund – used to account for the trap and release program for the feral cat program within the City. Donations are accepted and the City matches the donations 1 to 1 up to \$2,000.

<u>Police Donations</u>	<u>Police Education and Training</u>	<u>Roosevelt Scholarships</u>	<u>Court Technology</u>	<u>Building Security</u>	<u>Hotel/Motel Tax</u>
\$ <u>3,160</u>	\$ <u>2,963</u>	\$ <u>4,092</u>	\$ <u>74,540</u>	\$ <u>14,289</u>	\$ <u>49,633</u>
<u>3,160</u>	<u>2,963</u>	<u>4,092</u>	<u>74,540</u>	<u>14,289</u>	<u>49,633</u>
606	-	-	-	-	-
<u>1,200</u>	<u>1,150</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>39,225</u>
<u>1,806</u>	<u>1,150</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>39,225</u>
<u>1,354</u>	<u>1,813</u>	<u>4,092</u>	<u>74,540</u>	<u>14,289</u>	<u>10,408</u>
<u>1,354</u>	<u>1,813</u>	<u>4,092</u>	<u>74,540</u>	<u>14,289</u>	<u>10,408</u>
\$ <u>3,160</u>	\$ <u>2,963</u>	\$ <u>4,092</u>	\$ <u>74,540</u>	\$ <u>14,289</u>	\$ <u>49,633</u>

CITY OF WINDCREST, TEXAS

COMBINING BALANCE SHEET

NONMAJOR GOVERNMENTAL FUNDS

SEPTEMBER 30, 2015

	Friends to Animal Control	Total Nonmajor Governmental Funds
ASSETS		
Cash and cash equivalents	\$ <u>2,567</u>	\$ <u>222,015</u>
Total assets	<u>2,567</u>	<u>222,015</u>
LIABILITIES		
Accounts payable	-	5,314
Due to other funds	<u>-</u>	<u>63,575</u>
Total liabilities	<u>-</u>	<u>68,889</u>
FUND BALANCES		
Restricted	<u>2,567</u>	<u>153,126</u>
Total fund balances	<u>2,567</u>	<u>153,126</u>
Total liabilities and fund balances	\$ <u>2,567</u>	\$ <u>222,015</u>

<u>Police Donations</u>	<u>Police Education and Training</u>	<u>Roosevelt Scholarships</u>	<u>Court Technology</u>	<u>Building Security</u>	<u>Hotel/Motel Tax</u>
\$ -	\$ -	\$ -	\$ -	\$ -	\$ 154,351
-	3,061	-	-	-	-
-	-	-	17,974	13,481	-
991	-	-	-	-	-
-	-	-	5	-	10
<u>991</u>	<u>3,061</u>	<u>-</u>	<u>17,979</u>	<u>13,481</u>	<u>154,361</u>
-	-	-	-	-	2,099
4,424	4,771	-	-	-	-
-	-	-	-	-	-
<u>4,424</u>	<u>4,771</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>2,099</u>
(3,433)	(1,710)	-	17,979	13,481	152,262
-	-	-	-	-	(142,450)
-	-	-	-	-	(142,450)
(3,433)	(1,710)	-	17,979	13,481	9,812
<u>4,787</u>	<u>3,523</u>	<u>4,092</u>	<u>56,561</u>	<u>808</u>	<u>596</u>
<u>\$ 1,354</u>	<u>\$ 1,813</u>	<u>\$ 4,092</u>	<u>\$ 74,540</u>	<u>\$ 14,289</u>	<u>\$ 10,408</u>